

Contract No.:	278-C-00-02-00210-00
Contractor Name:	Chemonics International, Inc.
USAID Cognizant Technical Office:	Office of Economic Opportunities, USAID/Jordan
Date of Report:	April 11, 2005
Document Title:	Developing a Legal Framework for Asset-Backed Bonds in Jordan Final Report
Author's Name:	Mr. Stephen Strauss
Activity Title and Number:	Achievement of Market-Friendly Initiatives and Results Program (AMIR 2.0 Program) F/Drafting of Law, FMD Component, Work Plan No. 636.05

***Developing a Legal Framework
for Asset-Backed Bonds in Jordan***

Final Report

April 11, 2005

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Data Page

Name of Component: Financial Markets Development (FMD)

Authors: Mr. Stephen Strauss

Practice Area: Financial Sector Services

Service Offering: Capital Market Development

List of Key Words Contained in Report:

- Corporate Bonds
- Collateralization
- Mortgage Bonds
- Securitization
- Jordan Securities Commission
- Controller of Companies
- Asset-Backed Securities

Abstract

The Financial Markets Forum of February 2004 reached the conclusion that a broad range of financial markets instruments should be developed in Jordan, but that doing so will require the appropriate legal framework which presently is not in place. This Project therefore has as its objective the following actions:

--Review the relevant laws and regulations, in particular the Companies Law, the Securities Law and the JSC Bylaws, with a view to identifying what changes to these existing laws and regulations may be desirable. The conclusion is that no change in the Securities Law are called for, but that a few technical amendments to the wording of the Companies Law would be desirable to clarify the rights of bondholders as creditors and beneficiaries of asset pledges.

--Develop a proposed text for a new law which would permit the emergence of asset-backed bonds (including mortgage-backed bonds) and of special purpose vehicles which would issue such securitized bonds.

--Meet with the relevant authorities (the JSC and the Companies Controller) to gain their understanding and acceptance of the objectives and concepts being proposed. The end result will be a draft text of new legislation, in Arabic and English, which can be presented to the Jordan Securities Commission and other relevant officials, who can then manage the process of proposing the new legislation within the Government of Jordan.

Table of Contents

Executive Summary.....	1
Background, Objectives, Actions Taken, and Next Steps.....	2
Appendix 1: Draft (Concept Outline) of New Law.....	4
Appendix 2: Proposed Amendments to the Companies Law.....	15
Appendix 3: Relevant Sections of the Companies Law.....	16
Appendix 4: Meetings Held to Date.....	21

Executive Summary

This project's objectives are derived from the conclusions reached at the Financial Markets Forum of February 2004, which assembled the leading institutions active in Jordan's financial markets under the auspices of the AMIR Program and the Association of Banks of Jordan. One of the main conclusions of that Forum was that a legal framework for asset-backed bonds is currently lacking, and should be developed soon, in order to broaden and deepen Jordan's financial markets and permit the development of new financial markets instruments.

The Forum Report included the following conclusions reached:

“The Forum concluded that new legislation is necessary to establish a clear and workable framework for pledging collateral (including mortgages) as security for bond issues....

The Forum recommended developing a proposal for new legislation to clearly permit collateral of various asset categories to be pledged in favor of bondholders.....

The Forum also recommended establishing a legal framework to permit special purpose vehicles to issue bonds collateralized by specific categories of assets such as mortgage loan receivables, among others.”

The current project, grouping consultants with international and Jordanian law expertise, therefore aims to make specific recommendations in regard to new legislation to permit a range of asset-backed bonds instruments to emerge. The work done to date has:

1. Identified those sections of the Companies Law which should be amended to clarify the technical question of the exercise of bondholders' creditor rights;
2. Identified how the JSC Bylaws can be used to clarify the roles and functions of the Issue Trustee as representative of the bondholders;
3. Prepared a conceptual outline, with specific text, of a new law to provide a framework for collateralized bonds, mortgage bonds, other asset-backed bonds, and special purpose securitization vehicles.

The project has met with the JSC and the Companies Controller, who both support this project's objectives. The next step, to conclude this project, will be to complete a full draft text (in Arabic and English) of the new law, to present and review it with the interested authorities (in particular the JSC), and then to agree on next steps.

BACKGROUND, OBJECTIVES, ACTIONS TAKEN TO DATE, AND NEXT STEPS

Background and Objectives:

The consensus of financial markets participants and experts in Jordan, as expressed in the conclusions of the Financial Markets Forum of February 2004, is that there is a need, and an opportunity, to broaden the range of financial instruments available to issuers and investors. Efforts should therefore be made to:

1. Develop “collateralized bonds”, permitting collateral of any kind to be pledged in favor of bondholders;
2. Develop “mortgage-backed bonds”, permitting institutions to issue bonds backed by a floating pool of property mortgage loans;
3. Develop “asset-backed” bonds, permitting institutions to issue bonds backed by various categories of assets, in particular pools of financial assets;
4. Create a framework permitting the establishment of “special purpose vehicles” for the purpose of issuing securitized bonds backed by various categories of assets including mortgages.

Initial project work by AMIR and its consultants has led to the conclusion that, while objective 1 above may be achieved by amendments to JSC regulations and certain technical amendments in existing law, the achievement of objectives 2, 3 and 4 require the preparation of specific new legislation to provide the legal framework necessary for the development of the desired new financial markets instruments. Such legislation would deal with questions of the qualification of issuers; the definition of collateral; the exercise of bondholder rights as creditors; the definition of special purpose vehicle; and the regulatory framework for approving issues and new issues.

These same conclusions were reached by the participants of the Financial Markets Forum of February 2004. These conclusions were summarized by the AMIR Report summarizing the results of that Forum, which stated as follows:

“The Forum concluded that new legislation is necessary to establish a clear and workable framework for pledging collateral (including mortgages) as security for bond issues. As in other markets, pledging collateral to back corporate bonds should become a real and practical option in Jordan. Such collateral would typically include real property and financial receivables such as mortgage loans or escrow accounts.

“Currently certain procedures exist, but they are not workable in practice since the existing legal framework does not permit pledges of assets in favor of a changing pool of bondholders, nor the pledge of a fluctuating amount of assets (such as escrow accounts, or mortgage loans where there may be substitutability). The Forum noted that similar problems existed in other emerging financial markets, such as Bulgaria. With assistance from USAID, new legislation was passed in Bulgaria which clearly

permits the pledging of various forms of collateral to back corporate and mortgage-backed bonds.

“The Forum recommended developing a proposal for new legislation to clearly permit collateral of various asset categories to be pledged in favor of bondholders. Models from other countries should be examined for applicability, with a view to preparing a legal framework and legislative language consistent with Jordanian law. This effort should result in the drafting of enabling legislation.

“The Forum also recommended establishing a legal framework to permit special purpose vehicles to issue bonds collateralized by specific categories of assets such as mortgage loan receivables, among others.”

Actions taken to date, and Next Steps:

This project and its consultants have undertaken the following actions:

1. Developed a draft conceptual outline of a new law to provide a legal framework for the development of all four categories of new financial instrument listed above (see Appendix One)
2. Made recommendations for the amendment of the Companies Law to clarify the role of Issue Trustee, as defined in that Law, in representing the rights of bondholders as creditors and beneficiaries of asset portfolios backing bond issues (see Appendix Two).
The JSC Bylaws (licensing instructions) should also be amended to define the concept of Issue Trustee, consistent with the Companies Law.
3. Held meetings with the JSC and the Companies Controller to present the concepts to these key authorities, who both agreed in principle with these objectives.
4. The AMIR team will now draft a proposed legal text, in both English and Arabic, embodying the concepts in legislative language.
5. This legislative text will be presented to the same relevant authorities for their acceptance and to gain their agreement to sponsor this legislation within the Government.

APPENDIX ONE

Outline

Draft of Collateralized Bond and Mortgage Backed Bonds Law

Section one: General provisions

1- Scope of the Law:

- The law shall apply only to collateralized (securitized) publicly-issued bond transactions as they are defined in this law.
- The provisions of this law shall supersede any other contravening laws or regulations.

2- Definitions:

a- Collateralized bonds: the definition of collateralized bonds shall cover three forms of collateralized bonds:

- (1) Firstly, public issues of bonds (securities) by any entity which is qualified to issue such securities, collateralized by any category of assets which are part of the assets of the entity issuing the bonds;
- (2) Second, public issues of bonds (securities) by any entity which is qualified to issue securities, collateralized by a portfolio of financial assets of any type, including mortgage loans, which are part of the asset portfolio of such entity. The term “securitization portfolio” will be used for the financial asset portfolio which collateralizes publicly-issued bonds. The term “mortgage bonds” will be used where the securitization portfolio consists entirely of mortgage loans.
- (3) Third, public issues of bonds (securities) by a special-purpose entity which has been established for the sole purpose of issuing securities backed by a securitization portfolio. The term “securitization company” will be used to designate such special-purpose entities. The securitization portfolio will be sold to the securitization company by the entity (which can be any type of company) which originated the securitization portfolio. The bond issued by a securitization company (designated a “securitized bond”) will be paid from the proceeds of the securitization portfolio. A securitization company will be established and managed by duly constituted and licensed financial (asset) management companies. All securitized bond transactions will be duly authorized according to prevailing laws and regulations.

Section Two: Bonds backed by Collateral belonging to the Issuer

Publicly-issued bonds, which are issued by any entity qualified to issue such securities, may be collateralized by any asset belonging to the issuer.

Bonds so issued are designated “collateralized bonds”.

The collateral shall be clearly described in the Offering Prospectus, including the method of valuation of such collateral; the minimum ratio between the value of the collateral and the issued and outstanding bond obligation; the procedure to be followed for periodic collateral valuation; and the process for substitution of collateral where such collateral is a changing pool or where collateral value may fall below the stipulated minimum ratio of collateral value to outstanding bond obligations. The collateral shall be on the name of the bondholders who are legally represented by the Issuer Trustee

The procedure for registering the pledge of the collateralized assets in favor of the Bondholders is described herein.

The creditor rights of the bondholders to the collateralized assets, and the events and procedures to be followed to exercise such rights, are set forth herein, or with reference to other relevant laws (Companies Law etc). The role of the Issue Trustee (Companies Law)/Custodian (Securities Law) in representing the legal rights of bondholders is specified herein.

Section Three: Bonds issued by any Entity backed by Financial Assets

A. Bond backed by financial assets:

A publicly-issued bond may be issued by any eligible entity including banks and finance company whose activity originated financial assets (financial receivables) of various types.

Securitization Portfolio:

- In general, any financial rights that generate cash flows, payments payable upon maturity and any collateral guarantees them “Assets” that are pledged by the issuer as collateral backing the issued and outstanding bonds.
- Assets shall fulfill the following conditions:
 - a- the assets shall generate cash flows
 - b- the originator shall have a fully legal and enforceable ownership right upon the assets
 - c- the assets shall be free from any obstacle that may prevent collecting the assets’ receivables
 - d- that assets shall be free from third party right.

The securitization portfolio must be clearly described in the Offering Prospectus. The Offering Prospectus must also describe: the stipulated ratio of the value of the securitization portfolio to the issue and outstanding bond portfolio; the method of valuation of the securities portfolio; the procedure for its periodic revaluation; the procedure for substitution of assets in the securitization portfolio in the event such assets mature before the bonds; go into default; or for any reason are revalued below the level of the stipulated ratio of asset value to bonds outstanding.

Bondholder rights, legal representation of bondholders by a issue trustee who shall have the powers stated in companies law, registered pledge of collateralized assets (the securitization portfolio), etc. shall be described herein.

B. Bonds backed by mortgage loan receivables (Mortgage Bonds)

- (1) Definition of Mortgage Bonds
Mortgage bonds are securities which are issued by financial institutions on the basis of their portfolios of loans, secured with one or more first priority mortgages in favor of the financial institutions on immovable properties (mortgage loans).
- (2) The immovable properties under paragraph 1 should be insured against destruction, and can be the of following types:
 1. Residences (houses and flats), including secondary residences
 2. Rental residential properties
 3. Commercial, office and administrative properties
 4. Industrial and warehouse properties
 5. lands
- (3) Mortgage bonds issued and outstanding (principal balance) shall at all times be covered by mortgage loans of the Issuer in the securitization portfolio (main cover). The calculation of the main cover consists of the amount of the outstanding principal of the mortgage loans in the securitization portfolio, in amounts not greater than ---- % of the mortgage appraisal of the immovable properties under section (2) item 1 above (residences), and not greater than ---- % of the mortgage appraisal of the immovable properties under section (2) items 2, 3 and 4.
- (4) For the purpose of substitution of fully or partially repaid loans or the substitution of any defaulted loan from the main cover, or of any loans from the cover for which payments are in arrears more than 90 days, the Issuer can include in the mortgage bonds cover the following of its assets (substitute cover):
 1. Cash or balances with the Central Bank of Jordan.
 2. Claims against the government of the Kingdom of Jordan or the Central Bank of Jordan, as well as claims fully guaranteed by them.

- (5) The cover of the mortgage bonds for a given issue (the sum of the main cover plus the substitute cover) must at all time be equal or more of the issued and outstanding principal amount of the mortgage bond issue. The substitute cover of the mortgage bonds for a given issue cannot exceed 30 % of the total principal amount of the bonds issued and outstanding (i.e. the main cover cannot be less than 70 % of the principal amount of the bonds issued and outstanding).
- (6) The claims of the holders of mortgage bonds shall be secured with a first priority pledge on the securitized assets (main cover) plus the assets in the substitute cover. Such pledge shall be entered into the Pledge Registry naming the bondholders of the given mortgage bond issue as creditor (beneficiary) of the registered pledge. The Issuer is obliged to provide the necessary data for the entry of such registered pledge, and to keep such data current. The registered pledge shall remain effective and in force until the full repayment of all of the Issuer's obligations under the given mortgage bond issue. The registered pledge shall be deleted after the full repayment of all the Issuer's obligations under the bond issue on the basis of a document issued by the external auditors of the issuer.
- (7) The assets entered into the Pledge Registry as cover for a given mortgage bond issue can be used to secure only the obligations of the Issuer under this mortgage bond issue. The Issuer cannot allow any encumbrances of the assets constituting the cover of the mortgage bond issued and outstanding.
- (8) The Issuer shall account for the assets which are entered into the mortgage bonds cover separately from the rest of its assets, and shall keep a public register of the cover of the mortgage bonds it has issued. Such register shall be held separately for different mortgage bond issues made by the Issuer. The Issuer shall have internal rules for the keeping of the register, its contents, the entries and deletions, and for the terms, authorities and access to the register.
- (9) In the event of public offering of mortgage bonds, the Securities Law, and the regulations of the Jordan Securities Commission, shall apply.
- (10) The Offering Prospectus for a mortgage bond issue shall be approved by the Jordan Securities Commission in accordance with the Securities Law and with JSC Regulations. The Offering Prospectus for a mortgage bond issue shall include, in addition to the requirements of the Securities Law and JSC Regulations, included the following additional information:
 1. The Issuer's internal rules for the register (per section (8) above),
 2. The Issuer's internal rules for carrying out and documenting mortgage appraisals, both before the bond issue and periodically during the life of the bond issue.
 3. Data for each of the mortgage loans from the Issuer's portfolio which represents the cover on the basis of which the issue is made (the securitization portfolio), including for each loan:

- a. Outstanding principal balance as of the moment of disbursement of the loan and as of the end of the latest calendar quarter.
 - b. Original repayment term as of disbursement, and the remaining repayment term until the final repayment of the loan.
 - c. interest rates, fees and commissions under the loan.
 - d. Risk classification of the loan as of the end of the each calendar year since disbursement, and as of the end of the latest calendar quarter.
 - e. Type of the immovable properties mortgage for collateral (using the four categories per section (2) above); their mortgage appraisal, and the ratio between the outstanding principal of the loan and the mortgage appraisal as of the moment of disbursement and as of the end of the latest calendar quarter.
 4. Data and description of characteristics of the mortgage loan portfolio (main cover) on the basis of which the mortgage bond issue is made, including distributions of the loans by:
 1. The amount of outstanding principal balance
 2. Term remaining until final repayment of the loans;
 3. Interest rate levels of the loans.
 4. Risk classification as of the end of the latest calendar quarter.
 5. Ratio between outstanding principal and latest mortgage appraisal of the immovable properties mortgaged as collateral.
- (11) A mortgage appraisal of immovable property (collateral for mortgage loans pledges as Securitization Assets for a mortgage bond issue) is intended to determine the monetary amount for which the property can be sold as of the moment of valuation. The mortgage appraisal shall use three methods of appraisal:
- a. the comparison method,
 - b. the income method,
 - c. the cost to build method

The mortgage appraisal shall be performed by employees of the Issuer who are qualified to perform such appraisals. The mortgage appraisal shall state the methods used in the appraisal and the relative value of each method in determining the result of the appraisal; and the source of the data used in the analysis and the calculations. A mortgage appraisal shall be performed for all loans used in the main cover for the mortgage bond issue prior to the bond issue. A subsequent mortgage appraisal must be done at least once in every subsequent 12-month period for all loans in the main cover which (a) have outstanding loan principal amount exceeding 1 percent of the Issuer's capital; and where any loan payment arrears has occurred or which for any reason was classified as other than current at any time during the 12-month

period (all loan classifications use the method stipulated by the regulations of the Central Bank of Jordan for classification of loans).

(12) Repayment of mortgage bonds in event of default or bankruptcy of the issuer of the mortgage bonds:

- a. In the event the Issuer is declared bankrupt, the assets entered into the mortgage bond register as main or substitute cover as of the date of the bankruptcy shall not be included in the bankruptcy liquidation assets. The proceeds from the liquidation of the assets which are mortgage bond cover shall be distributed among the mortgage bond holders in accordance with their rights under the outstanding bonds they own. Any funds remaining from such assets after all claims of bond holders have been satisfied shall be included in the bankruptcy liquidation assets.
- b. The assets which are cover to the mortgage bond issue, in the event described in section (121) paragraph a. above, shall be managed by the legal representative of the Bondholders Assembly (Issue Trustee) as provided by law and by JSC regulations.. Such legal representative shall be recognized by the bankruptcy court as the legal representative of the bondholders, such Court having ascertained that the Issuer has obligations due under one or more mortgage bond issues. The legal representative of the bondholders shall sell the assets under an auction process, duly announced and published, and shall deposit the funds in designated accounts. The Bondholders Assembly has the right to instruct the legal representative to sell the assets to a buyer specified by a decision of the Bondholders Assembly.
- c. The obligations of the Issuer under a mortgage bond issue shall be considered repaid when the aggregate principal amount of the sold loans becomes equal to the aggregate amount of outstanding principal and accrued interest due under the outstanding bonds prior to the beginning of the sales of the loans.

(13) Rights of the bondholders in event of default by the Issuer:

In event of failure of the Issuer to make any payment of interest or principal on the mortgage bond issue when due, and in event such failure to pay persist for a period exceeding 90 days past the date when payment is due, the mortgage bonds shall be deemed to be in default. In such event, the Bondholders Assembly may decide to instruct its legal representative to take steps to exercise the rights of the bondholders as creditors under the registered pledge of the securitized assets. Such steps can include the legal representative taking legal steps to foreclose on the securitized assets. In

such circumstances, the legal representative shall sell the securitized assets using procedures as described above in section (12).

Section Four: Special Purpose Entities Issuing Bonds collateralized by Financial Assets

(1) **Public issues of bonds** issued by a special purpose entity and collateralized by financial assets (securitized assets) shall involve the following entities whose duties are defined herein:

- a. The Originator, who is the entity which has developed a portfolio of financial assets which shall be transferred to the special purpose entity (securitization company).
- b. The Securitization Company, which is a legal entity which acquires the Securitized assets and issues publicly-issued securitized bonds. The Securitization Company is managed by its Board of Directors. The originator control and participation in the Board of Directors of the SPV shall be limited according to certain criteria to be specified.
Appoint a service company to manage its portfolio of owned assets owned by the Securitization Company.
- c. The Custodian (Issue Trustee) is the entity which is the legal representative of the Bondholders Assembly and who manages the funds which are generated by the Securitization Portfolio in the interest of the bondholders.
- d. the provider of credit enhancement company
- e. credit rating agency which contribute a credit rating for the bonds

(2) The Originator

The Originator: is any Jordanian entity that owns the securitization portfolio and intends to transfer and sell it to the SPV under the scope of securitization transaction.

1. The originator shall fulfill the following requirements:
 - a- be registered in Jordan
 - b- be authorized by the competent authorities to engage in securitization transactions
 - c- has a good financial status. A good financial status means that the originator shall be able to pay all his due financial liabilities.
 - d- In case the originator is subject to a supervision from a specific institution (for example banks), the originator shall obtain an authorization from such institution.

2. the originator shall be protected from any liability may rise because of his disclosure of information related to the securitization portfolio for the securitization company.
3. In case the originator is delegated or nominated to collect the receivables that flow from the securitization portfolio,
 - a. The originator shall perform his obligations with diligence expected by a prudent person to preserve the bondholders' rights
 - b. The originator shall hold such receivables in a special account separated from him and does not enter in his financial estate and does not guarantee his debts.
 - c. The originator is eligible to charge fees for collecting the receivables.
4. Any public or private shareholding company may issue bonds that been covered and repaid by a separate securitization portfolio owned by the company. However, the company shall obtain an authorization from the Commission.

(3) Securitization Company

1. Securitization company is the company that carries out securitization activities by issuing bonds (securities) that covered only by securitization portfolio and any available credit enhancement.
2. Securitization company shall be established only to carry out a securitization transaction and it shall be in a form Public shareholding company
3. Securitization company shall fulfill the following:
 - a- it shall be in a form that authorized to issue bonds.
 - b- minimum capital requirement
 - c- whether it will be allowed to have employees and other liabilities or not
 - d- it shall be independent and separated from the originator
 - e- all it financial liabilities shall be countable and covered by the issuance of bonds and credit enhancements
 - f- either the SPV arrange with a qualified third party to manage its assets and activities or the SPV shall have a staff who is eligible to manage the assets
4. SPV shall not engage in any activity except securitization transaction and the related activities.
5. The claims of the holders of securitized bonds shall be secured with a first priority pledge on the securitization portfolio. Such pledge shall be entered into the Pledge Registry naming the bondholders of the given

collateralized bond issue as creditor (beneficiary) of the registered pledge. The Issuer is obliged to provide the necessary data for the entry of such registered pledge, and to keep such data current. The registered pledge shall remain effective and in force until the full repayment of all of the Issuer's obligations under the given collateralized bond issue. The registered pledge shall be deleted after the full repayment of all the Issuer's obligations under the bond issue on the basis of a document issued by the external auditors of the issuer.

6. the SPV shall deposit all documents indicate the assignment of securitization portfolio and collected sums, subsequent to the deduction of the SPV's entitlement and operation costs, with a qualified custodian for the benefit of the bondholders.
7. Securitization Company shall be tax exempted (stamp duty)
8. The sums and documents deposited with the trustee shall belong to the bondholders and shall not be considered as a part of the SPV estate and shall not guarantee the SPV or the originator debts
9. The SPV shall not issue bonds other than bonds to securities the assigned portfolio. The total value of the issued bonds shall not exceed the value of the assigned portfolio.
10. The SPV shall perform its obligations with diligence expected by a prudent person to preserve the bondholders' rights.
11. The SPV shall arrange a credit enhancement as a substitute cover for the collateralized bonds to cover at least X% and not more than Y% of the assigned portfolio. Credit Enhancement could be by one of the following methods:
 - a. over-collateralization (assign receivables with value more than the issued bonds)
 - b. a standby letter of credit from a third party
 - c. a guarantee from a third party
 - d. reserve account
 - e. cash reserves
 - f. Cash or balances with the Central Bank of Jordan.
 - g. Claims against the government of the Kingdom of Jordan or the Central Bank of Jordan, as well as claims fully guaranteed by them.
12. The Offering Prospectus for a securitized bond issue shall be approved by the Jordan Securities Commission in accordance with the Securities Law and with JSC Regulations. The Offering Prospectus for a mortgage bond issue shall include, in addition to the requirements of the Securities Law and JSC Regulations, included the following additional information:
 - 1) type of securitized assets
 - 2) credit rating to the issued bonds

- 3) Data for each of the assets from the securitization portfolio including for each loan:
 - a. Outstanding principal balance as of the moment of disbursement of the loan and as of the end of the latest calendar quarter.
 - b. Original repayment term as of disbursement, and the remaining repayment term until the final repayment of the loan.
 - c. interest rates, fees and commissions under the loan.
 - d. Risk classification of the loan as of the end of the each calendar year since disbursement, and as of the end of the latest calendar quarter.
 - e. Type of collateral

(4) Assignment of Securitization Portfolio (S.P)

1. the assignment of the S.P shall be subject to the provisions of this law despite any other contravening laws.
2. If the assignment conforms to this law, it shall be considered final, enforceable, with full legal effect and it shall transfer all the rights, entitlements and guarantees in the S.P to the securitization company.
3. Assignment of the portfolio:
 - using the standard and approved form of assignment available at the commission
 - submitting this form to the Commission
 - Submit a list of any transferred guarantee to the competent agency where the guarantee is registered. These agencies shall make a note of transfer on the guarantee registration.
 - The transfer of assets shall not be avoidable due to insolvency rules that void the transfer of assets in the suspected period before the insolvency of the transferor.
 - The assets shall be transferred on fair value
4. After the assignment, the S.P shall leave the originator's estate and the originator shall not guarantee or be responsible for the assigned portfolio. The S.P shall be considered off-balance sheet of the originator
5. The assignor, if not otherwise agreed, has to collect the receivables of the assigned portfolio on behalf of the bondholders and he shall deposit them with a special account that separated from his estate and does not guarantee his debts.
6. The Assignment of the securitization portfolio does need a debtor knowledge or consent.

7. The assignment shall not increase the burdens upon or liabilities of the debtors

(5) The Custodian

1. the securitization company shall appoint a licensed custodian to manage and hold the documents and collected sums in favor of the bondholders
2. powers and duties of the custodian:
 - i) hold the documents that indicate the assignment of the portfolio
 - ii) hold the sums that collected by the originator or any another person then transferred to the SPV. These sums and documents shall not enter in the custodian estate and does not guarantee the custodian debts
 - iii) to notify the bondholders, assignor and any guarantor that may effect adversely the repayment of bonds
 - iv) repay the bonds by the collected sums and after deducting the costs and fees
 - v) prepare a monthly report
 - vi) to enforce the guarantee in case of breach
3. The custodian shall not mix his own accounts with the accounts of the securitization transaction.

APPENDIX TWO

PROPOSED AMENDMENTS TO THE COMPANIES LAW

<p>Article (122): Corporate Bonds Guaranteed with Property or In-kind Assets</p> <p>If corporate bonds are guaranteed by movable or immovable property or by other in-kind assets or any other guarantees or collateral, the said properties and assets must be held as a security for the loan for the Corporate Bonds Owners Assembly and in accordance with the legislations in force, and the mortgage, guarantee, or collateral must be documented before handing over the subscription proceeds in the corporate bonds to the Company.</p>	<p>المادة 122</p> <p>إذا كانت اسناد القرض مضمونة باموال منقولة او غير منقولة او بموجودات عينية اخرى او بغير ذلك من الضمانات او الكفالات فيجب ان يتم وضع تلك الاموال والموجودات تاميناً للقرض لصالح هيئة مالكي اسناد القرض وفقاً للتشريعات المعمول بها وتوثيق الرهن او الضمان او الكفالة قبل تسليم اموال الاكتتاب في اسناد القرض الى الشركة.</p>
<p>Article (128): The Authorities of the Issue Trustee</p> <p>The issue trustee shall assume the following authorities:</p> <p>a) To represent the Corporate Bonds Owners Assembly before Courts as a plaintiff or a defendant and to represent same before any other authority.</p> <p>b) To undertake the secretarial duties at the meetings of the Corporate Bonds Owners Assembly.</p> <p>c) To perform the work necessary for protecting the Corporate Bonds Owners Assembly and safeguarding its rights including administration and preservation work.</p> <p>d) Any other duties entrusted to him by the Corporate Bonds Owners Assembly.</p> <p>e) To represent the Corporate Bonds Owners Assembly in the Mortgage or collateral procedures as provided in Article (122) of this law.</p>	<p>المادة 128</p> <p>يتولى امين الاصدار الصلاحيات التالية:</p> <p>أ. تمثيل هيئة مالكي اسناد القرض امام القضاء كمدع او مدعى عليه كما يمثلها امام اي جهة اخرى.</p> <p>ب. تولي امانة اجتماعات هيئة مالكي اسناد القرض.</p> <p>ج. القيام بالعمال اللازمة لحماية هيئة مالكي اسناد القرض والمحافظة على حقوقها بما في ذلك أعمال الإدارة والحفظ.</p> <p>د. اي مهام أخرى توكله بها هيئة اسناد القرض.</p> <p>هـ. تمثيل هيئة مالكي اسناد القرض في إجراءات الرهن والضمان الواردة في المادة (122) من هذا القانون.</p>

APPENDIX THREE

RELEVANT SECTIONS OF THE COMPANIES LAW

The Companies Law creates the concept of the “Corporate Bond Owners’ Assembly” and the “Issue Trustee” (in Arabic “Ameen Alesdar”). The most relevant Articles are Art. 2/b, and Art. 116 through 130 (an especially Articles 122, 126 and 128).

The text of these Articles in the Companies’ Law are as follows:

Article (2/b): Definitions

The words and expressions “Commission”, Stock Market, Market, Depository Center, Coverage Promissory, Issue Manager, and Issue Trustee, whenever stated in this Law, shall have the definitions ascribed to it pursuant to the Securities Law in force.

Article (116): Definition of Corporate Bonds[■](as amended by the Temporary Law No. 40 for the year 2002)

Corporate bonds are negotiable securities that may be issued by Public or Private Shareholding Companies or any company permitted by the Securities Law to issue such bonds. Corporate bonds can be offered for subscription in accordance with the provisions of this Law and Securities Law in order to obtain a loan. The Company undertakes to repay the loan principal and interests in accordance with the issue conditions.

Article (117): Conditions for Issuing Corporate Bonds

The issue of the corporate bonds is conditional upon the approval of the Company Board of Directors by a majority of at least two thirds of the members therein. If these corporate bonds are convertible into shares, then the approval of the Company extraordinary General Assembly should also be obtained. Such approval shall be considered an approval to increase the Company authorized capital and the Board of Directors, in respect of such increase, may not exercise the powers vested thereupon by virtue of paragraph (b) of Article (95) of this Law.

Article (118): Corporate Bonds’ Negotiability[■](as amended by the Temporary Law No. 40 for the year 2002)

- a) Corporate bonds shall be registered in the names of their owners. The selling of same shall be documented in the issuing Company registers or with the authority which keeps such registers. These corporate bonds are negotiable in the markets as stipulated in the Securities Law in force.
- b) In the cases approved by the Controller and the Securities Commission it is permissible to issue corporate bonds to holder in accordance with the instructions issued by the Commission for this purpose.

Article (119): The Nominal Value of Corporate Bonds

- a) Corporate bonds shall be issued in one standard nominal value per issue. Bond certificates are issued in different categories for the purpose of negotiation.
- b) A Corporate bond may be sold at its nominal value, or at a discount, or at a premium. In all cases, the bond shall be repaid at its nominal value.

Article (120): Payment of the Corporate Bonds' Value

The value of a corporate bond shall be paid in one amount on subscription, and will be credited to the account of the borrowing Company. In the event that the borrowing Company commissions an underwriter, the amounts paid may be credited to the underwriter's account with the approval of the borrowing Company Board of Directors, and the proceeds of subscription shall be refunded to the Company at the date agreed upon with the underwriter.

Article (121): Information Necessary in a Corporate Bond

The bond shall bear the following information:

- a) On the face of the bond:
 - 1. The name of the borrowing Company, its logo if any, its address, its registration number and date thereof, and the duration of the Company.
 - 2. Name of the owner of the bond if it is a nominal bond.
 - 3. Number of the bond, its type, nominal value, period and the rate of interest.
- b) On the back of the bond:
 - 1. Total values of the bonds issued.
 - 2. Dates and conditions of redemption of bonds and interest accrual dates.
 - 3. Special securities, if any, for the debts, which the bond represents.
 - 4. Any other conditions or provisions which the borrowing Company deems advisable to add to the bond provided that the said additions comply with the issue conditions.

Article (122): Corporate Bonds Guaranteed with Property or In-kind Assets

If corporate bonds are guaranteed by movable or immovable property or by other in-kind assets or any other guarantees or collateral, the said properties and assets must be held as a security for the loan in accordance with the legislations in force, and the mortgage, guarantee, or collateral must be documented before handing over the subscription proceeds in the corporate bonds to the Company.

Article (123): The Denomination of Corporate Bonds in Jordanian or Foreign Currency

The corporate bonds shall be denominated in Jordanian Dinars or in any other foreign currency in accordance with the legislation in force.

Article (124): Failure to Underwrite all the Corporate Bonds during the Designated Period

The Board of Directors may be satisfied with the value of the corporate bonds that have been subscribed for if a full underwriting has not been achieved for all the issued bonds within the designated period.

Article (125): Negotiable Corporate Bonds Prospectus

The Company may issue corporate bonds convertible into shares in accordance with the following provisions:

- a) The decision of the Board of Directors shall include all rules and conditions on the basis of which the bonds are converted into shares. This should be accomplished with the written consent of the owners and in accordance with the conditions and in pursuance to the basis defined therefore.
- b) The corporate bond holder shall express his desire to convert at the dates stated in the prospectus. If the holder does not express his interest during that period he will lose his right to convert the said corporate bonds.
- c) The shares obtained by corporate bond owners shall have rights to dividends proportional to the time period between the date of conversion and the end of the fiscal year.
- d) At the end of each fiscal year a statement shall be made of the number of shares issued during the year against corporate bonds whose owners exercised their option to convert same into shares during such year.

Article (126): Corporate Bonds Owners Assembly

- a) An assembly named Corporate Bonds Owners Assembly will be formed from the owners of corporate bonds in every issuance by operation of law.
- b) The Corporate Bonds Owners Assembly shall have the right to appoint an Issue Trustee at the expense of the Company issuing the corporate bonds.
- c) The issue trustee shall be licensed by the concerned authorities to practice this activity.

Article (127): Duties of the Corporate Bonds Owners Assembly

- a) Corporate Bond Owners Assembly shall be responsible for safeguarding the rights of the bond owners and for taking the necessary measures to preserve these rights, in cooperation with the issue trustee.
- b) The Corporate Bonds Owners Assembly shall convene for the first time upon the invitation of the Board of Directors of the Company issuing the corporate bonds. The appointed issue trustee shall be responsible for inviting the Assembly for subsequent meetings.

Article (128): The Authorities of the Issue Trustee

The issue trustee shall assume the following authorities:

- a) To represent the Corporate Bonds Owners Assembly before Courts as a plaintiff or a defendant and to represent same before any other authority.
- b) To undertake the secretarial duties at the meetings of the Corporate Bonds Owners Assembly.
- c) To perform the work necessary for protecting the corporate bond owners and safeguarding their rights.
- d) Any other duties entrusted to him by the Corporate Bonds Owners Assembly.

Article (129): Invitation of the Issue Trustee to the Company General Assembly Meetings

The borrowing company shall invite the issue trustee to the meetings of the Company General Assembly. The issue trustee shall attend such meetings and express his opinion thereat, without having the right to vote on the decisions of the General Assembly.

Article (130): Corporate Bonds Owners Assembly Meetings

- a) The issue trustee shall invite the corporate bond owners to meet whenever he deems it necessary, provided that the Corporate Bonds Owners Assembly meet at least once a year.
- b) The Corporate Bonds Owners Assembly shall be invited in accordance with the rules applied to the invitation to the ordinary meetings of the General Assembly. Invitations and meetings of the Corporate Bonds Owners Assembly shall be subject to the same provisions which govern the invitations and meetings of the General Assembly.
- c) Any action violating of the corporate bonds prospectus shall be considered null unless approved by the Corporate Bonds Owners Assembly by a three-quarter majority of votes represented in the meeting, provided that the corporate bonds represented in the meeting are not less than two-thirds of the value of the issued bonds which have been subscribed for.
- d) The issue trustee must notify the Controller, the issuing Company and any securities market on which the bonds are listed of the decisions adopted by the Corporate Bonds Owners Assembly.

Article (131): Company Right to Redeem the Corporate Bonds

The prospectus may provide for the Company right to annually redeem the issued bonds by a lottery throughout the duration of the Corporate Bonds.

APPENDIX FOUR

Meetings Schedule

Date	Time	Meeting with	Place	Status
Sunday April 3, 2005	09:00-10:00	- Khush Choksy, FMD Team Leader, AMIR Program - Asma Abu Taleb, AMIR Program	FMD Component	Confirmed
	12:00-13:00	- Khalid Atwan, Lawyer - Asma Abu-Taleb, AMIR Program	IBLAW	Confirmed
	15:00-15:30	- Susanna Aulbach, Senior Special Projects Manager, (In Brief)	AMIR Program	Confirmed
Monday April 4, 2005	15:00-16:00	- Khalid Atwan, Lawyer, - Salam Smadi, Lawyer	IBLAW	Confirmed
Tuesday April 5, 2005	15:30-19:00	- Khalid Atwan, Lawyer - Salam Smadi, Lawyer	IBLAW	Confirmed
Wednesday April 6, 2005	9:30-10:30	- Dr. Ahmad Mustafa, Commissioner - Amal Abu Zaid, Licensing Department Manager - Abdel Raouf Rababa'a, Disclosure Manager - Khush Choksy - Asma Abu-Taleb - Khalid Atwan	JSC	Confirmed
	11:00-12:00	- Dr. Mohmoud Ababneh, Companies Controller - Khush Choksy - Asma Abu-Taleb - Khalid Atwan	Ministry of Industry & Trade	Confirmed
	15:00-16:00	- Khalid Atwan, Lawyer - Salam Smadi, Lawyer	IBLAW	Confirmed